

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

* * * * *

In the Matter of:

| | | |
|----------------------------|---|-----------------|
| PURCHASED GAS ADJUSTMENT |) | |
| FILING OF THE UNION LIGHT, |) | CASE NO. 7268-R |
| HEAT AND POWER COMPANY |) | |

O R D E R

On January 15, 1981, Columbia Gas Transmission Corporation (Transmission) filed with the Federal Energy Regulatory Commission (FERC) revised tariff sheets to its FERC Gas Tariff, Original Volume No. 1. Transmission has placed an effective date of February 1, 1981, upon the effected tariff sheets. This Commission has no jurisdiction in that case.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn pass on the matter of intrastate distributors recovering their increased cost of gas by adjusting their basic rates to their customers.

On April 13, 1979, the Commission issued its Final Order in Case No. 7268, approving certain rates and providing under certain conditions for adjustment of such rates when the wholesale cost of gas is increased, decreased or a refund is received under the provisions of the Gas Cost Adjustment Clause set forth therein.

On January 26, 1981, the Applicant notified the Commission that its wholesale cost of gas would be increased by its supplier, Columbia Gas Transmission Corporation (Transmission), effective February 1, 1981, and submitted with its Notice certain information in compliance with this Commission's Order of April 13, 1979. The

Notice set out certain revisions in rates which the Applicant proposed to place in effect, said rates being designed to increase the cost of natural gas of its supplier in the amount of \$114,540.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds:

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the Federal Energy Regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

2. The Federal Energy Regulatory Commission approval of a wholesale rate increase to a Kentucky gas retailer requires approval by the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to their consumers in any event.

3. That the Application filed January 26, 1981, does not provide the Commission with the twenty (20) day statutory Notice, therefore, the rates should become effective on and after February 15, 1981.

4. When the FERC "accepts" Transmission's filing, Transmission will begin charging the Applicant the new rates. This Order cannot be implemented until and unless this occurs.

5. That the Applicant's supplier, Transmission, has filed with the FERC for increased rates to become effective February 1, 1981.

6. That this increase reflects Transmission's rates as filed with FERC on January 15, 1981, and to be effective February 1, 1981.

7. That the Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix "A" as soon as Transmission's filing is "accepted" by FERC, but not prior to February 15, 1981.

8. That the Applicant's adjustment in rates under the Purchased Gas Adjustment Clause approved by the Commission in its Order in Case No. 7268, dated April 13, 1979, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective, but not prior to February 15, 1981.

IT IS THEREFORE ORDERED that said Purchased Gas Adjustment sought by the Applicant and adjusted as aforesaid mentioned be and the same is hereby approved to be effective subject to refund, with gas supplied on and after the date the increased cost of wholesale gas becomes effective ("acceptance" by FERC), but not prior to February 15, 1981, as set out in Appendix "A" attached hereto and made a part hereof.

IT IS FURTHER ORDERED that Union Light, Heat and Power Company shall maintain its records in such manner as will enable it, or the Commission, or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that for the purpose of the future application of the Gas Cost Adjustment Clause of the Applicant the average cost shall be:

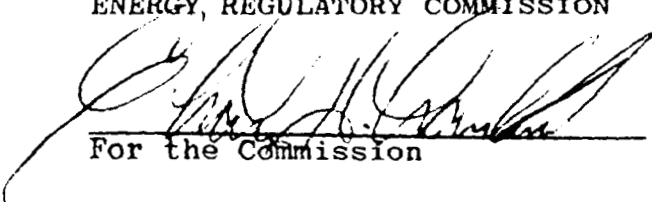
| | <u>Per MCF</u> |
|------------|----------------|
| Firm Sales | 2.8643 |
| Off-Peak | 2.6285 |

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on January 26, 1981, constitutes full compliance with the Commission's Order in Case No. 7268, and any other information ordinarily required to be filed under the Commission's Regulations is hereby waived.

IT IS FURTHER ORDERED that within thirty (30) days after the date the increased cost of wholesale gas becomes effective, Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 4th day of February, 1981.

ENERGY, REGULATORY COMMISSION



For the Commission

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY
COMMISSION IN CASE NO. 7268-R DATED FEBRUARY 4,
1981.

The following rates are prescribed for the customers in the
area served by the Union Light, Heat & Power Company. All other
rates and charges not specifically mentioned herein shall remain
the same as those in effect under the authority of the Commission
prior to the date of this Order.

Rate GS

Net Monthly Bill

| | PGA ¢ per 100 Cu. Ft. | Rate |
|----------------------------|--------------------------|---------------------------|
| First 1,000 Cubic Feet at | 6.90¢ | 51.45¢ per 100 Cubic Feet |
| Next 1,000 Cubic Feet at | 6.90¢ | 38.87¢ per 100 Cubic Feet |
| Next 4,000 Cubic Feet at | 6.90¢ | 35.95¢ per 100 Cubic Feet |
| Next 144,000 Cubic Feet at | 6.90¢ | 34.97¢ per 100 Cubic Feet |
| Additional Cubic Feet at | 6.90¢ | 34.31¢ per 100 Cubic Feet |

Special Contract Gas Rates

| <u>Off-Peak Rate</u> | PGA | Rate |
|----------------------|-------|---------------------------|
| All Consumption | 8.04¢ | 31.34¢ per 100 Cubic Feet |
| <u>Firm Rate</u> | | |
| All Consumption | 6.90¢ | 32.44¢ per 100 Cubic Feet |